

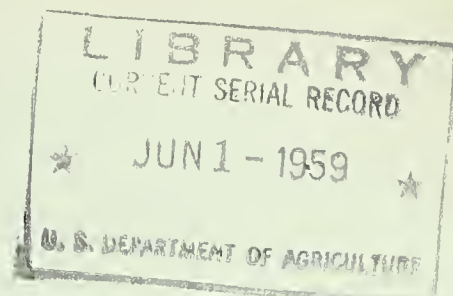
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FARMER COOPERATIVE SERVICE  
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.



# REGIONAL GRAIN COOPERATIVES 1957-58

## *20th Annual Report*

By

Daniel H. McVey

*Distribution of this report is limited to managers and directors of regional grain cooperatives, banks for cooperatives, extension marketing specialists and agricultural economics personnel in State colleges interested in grain marketing.*

Service Report 45

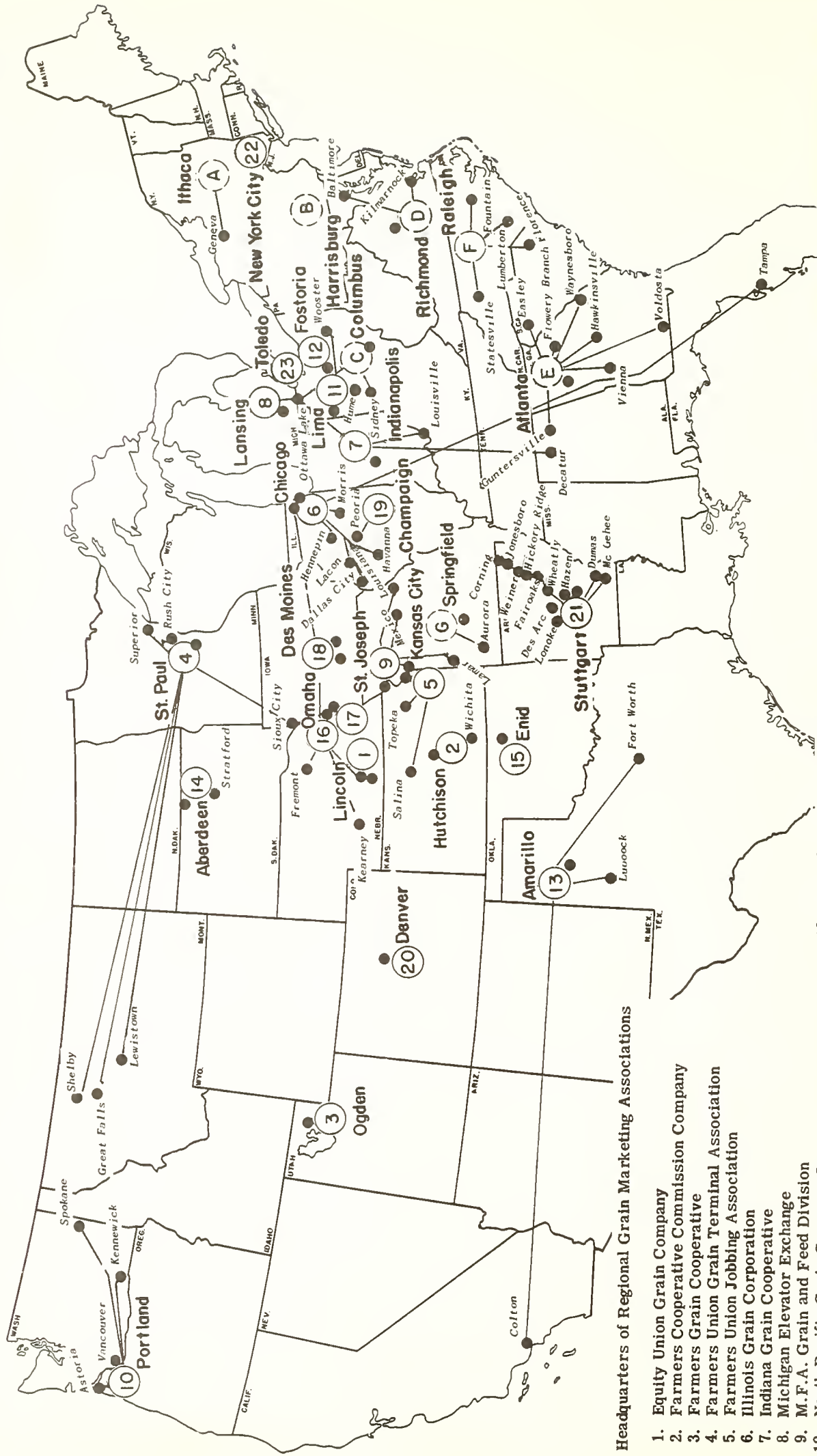
May 1959





Figure 1

# Location of Regional Grain Marketing Services and Their Sub-terminal and Terminal Elevators, 1959





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1957-58

By

Daniel H. McVey  
Grain Branch  
Marketing Division

This report is a continuation of the annual series started in 1940 on the financial condition and operating results of a group of regional grain cooperatives and continued at their request.

This publication covers the 1957-58 season and shows some comparisons for the entire period 1938-39 through 1957-58.

Regional grain cooperatives continue to make every effort to meet the demands of their members by conducting up-to-date grain marketing services at subterminal and terminal markets. They have been rapidly expanding and modernizing elevator facilities to handle and store current reserves and carryover stocks and to merchandise member associations' grain. With the increased production of livestock in the South and Southeastern States, these cooperatives are giving more attention to installing storage facilities in these areas to supply grain for feed and to furnish outlets for their own member' production.

Regionals have helped members improve their facilities and conduct more efficient grain marketing operations at the local level. Through the National Federation of Grain Cooperatives, grain research programs, activities on advisory committees, radio and television programs, and other media, managements of the regionals are benefiting all grain farmers. For the past several years, some of the regionals have co-sponsored accounting schools for local elevator bookkeepers where students receive valuable





training. Several of them have also conducted management training conferences and directors' schools.

Several regionals have installed milling and baking laboratories to learn more about the product they sell for their members, and thus encourage farmers to grow the kind of grain that will sell. Others are installing such equipment. Many regionals are also working closely with grain improvement associations to advise members on the best types of wheat and other grains for the farmers to produce. Thus, by meeting exact milling, specifications and feed requirements, farmers can expect better returns and more use for their cash grain. Some also pay premiums for approved varieties and protein content.

In another effort to improve the bargaining position of cooperative growers in the market place, 19 regionals joined together and organized the Producers Export Company with offices in New York City, and are now in the export business. In less than 5 months they have exported in excess of 15 million bushels of grain. In addition, the five regional organizations in Ohio, Indiana, and Michigan have organized Mid-States Terminals with headquarters in Toledo, in order to take advantage of the St. Lawrence Seaway.

Most of the data in this report are concerned with the 16 regional grain cooperatives on which we have data beginning with their first year of operation in 1938-39. Fourteen other regionals came into being after that date, including a number of regional farm supply cooperatives that have set up grain marketing departments that perform the same functions and services as the grain regionals. Of these 14, 7 are farm supply organizations, and 7 are grain cooperatives-three of them organized within the last year.



Unless otherwise noted, the data in this report cover only those 16 associations for which data are available from 1938-39.

Figure 1 shows the location of the 23 regional grain cooperatives in operation in 1959, and their subterminal and terminal elevators, and the 7 other regional cooperatives with grain marketing departments. These regionals are operating elevators at 83 market locations. These do not include commission offices where there are no cooperative facilities. About 25 of these locations handle barge grain and by the use of water transportation are making significant savings for their members.

Since the 1953 harvest, construction of elevator facilities has been greatly accelerated to meet the demands. Altogether the 30 regionals expected a storage capacity of just under 250 million bushels at subterminal and terminal markets for the 1959 harvest season. Storage capacity of the local cooperatives that own these regionals would bring total cooperatively owned storage capacity to well over 1 billion bushels.

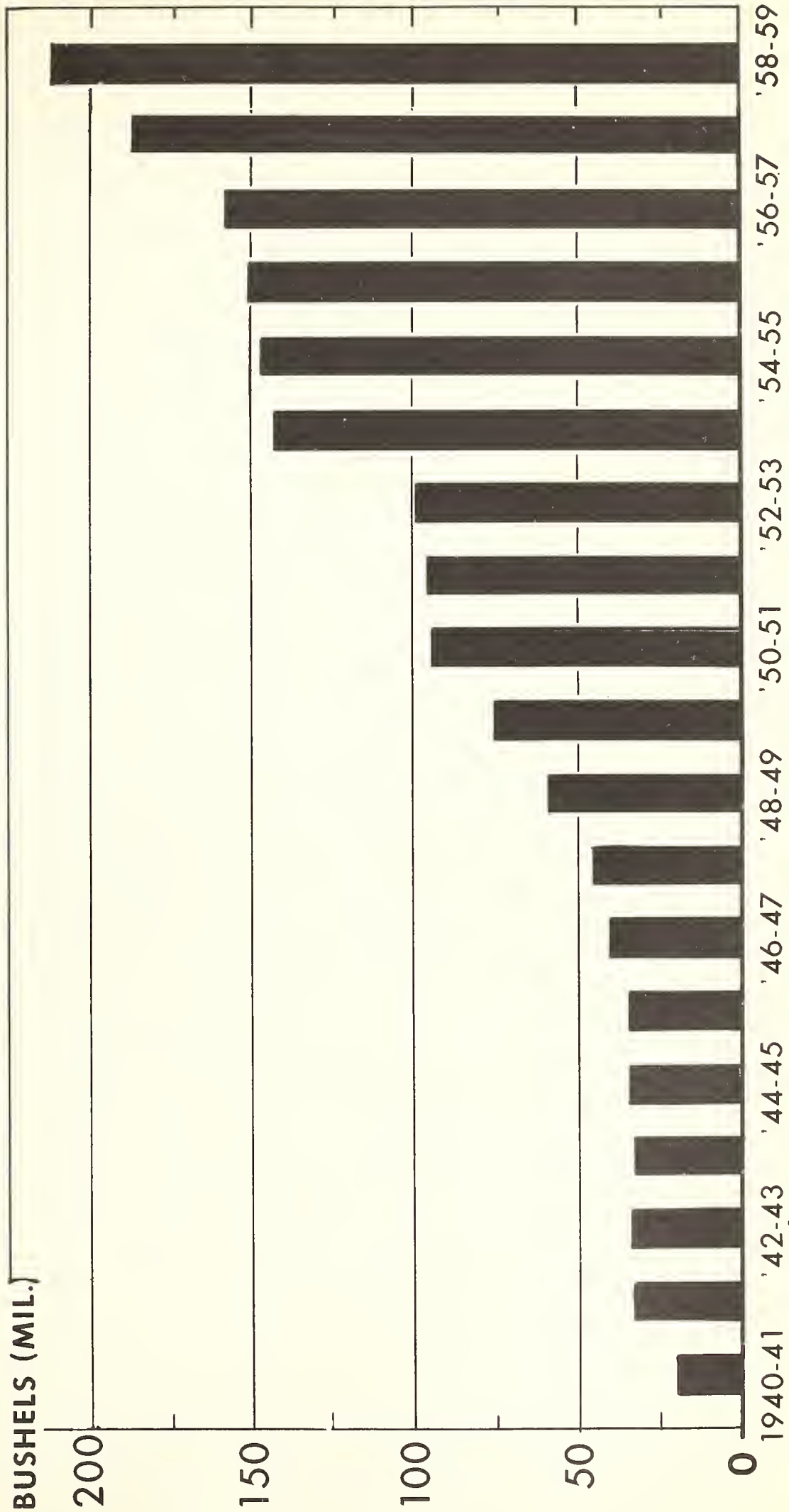
Figure 2 shows the expansion of elevator capacity since 1940 by the 16 grain regionals for which continuous records are available. By harvest time of 1959, they will have more than 213 million bushels of storage compared with less than 20 million in 1940 and 35.5 million at the end of World War II. The greatest expansion occurred in 1954--44 million bushels, but the 29 million in 1958 and the 26 million this year also stand out. The capacity has more than doubled since 1953. Practically all of the space in use is owned; very little is now leased.

Since 1944, the combined volume of grain marketed by the 16 regionals has been 290 million bushels or better with peaks of more than 360 million bushels in 1949 and for the last 3 years (figure 3). In 1957, the volume reached nearly 418 million bushels--a record--and 9.0 percent greater than



Figure 2

**SUBTERMINAL AND TERMINAL ELEVATOR CAPACITY  
OPERATED BY 16 REGIONAL GRAIN COOPERATIVES FOR  
EACH HARVEST SEASON, 1940-41 THROUGH 1958-59\***



\* THE 1958-59 TOTAL INCLUDES CAPACITY UNDER CONSTRUCTION AND EXPECTED TO BE COMPLETED  
IN TIME FOR THE HARVEST SEASON





in any other year. Although 1957-58 volume dropped to 383 million bushels, it was the second largest volume year. During the 20-year period beginning with 1938-39, these associations have handled 5.6 billion bushels of grain, nearly 21 percent of it in the past 3 years. This does not take into account large quantities of grain turned over to the Commodity Credit Corporation, which do not go through the regular marketing channels. Adding the volume from the other regionals would bring the total for 1957-58 to more than one-half billion bushels.

Since the beginning of the regional grain cooperatives, the total production of the major grains has increased by about 35 percent. The proportion leaving the farm has gone up even faster--in fact more than doubling in the same period. Even so, the regionals have more than kept the pace. In the first 3 years of their operations, they accounted for about 6.5 percent of the grain leaving the farm. Currently they account for 12 to 15 percent of the total. The proportion handled by cooperatives would be higher if C.C.C. volume were included.

When taken as a group, these 16 cooperatives have shown a net margin for each of the 20 years. These margins, both in total and on a bushel basis, have shown a general upward trend (figure 4). In the first few years, the combined margin was around \$1 million; for the past 4 years, in excess of \$14.5 million. For 1957-58, the margin amounted to \$17.1 million--a record and almost 11 percent greater than the year before.

After 1943-44, the net margin per bushel handled ranged from 2.1 cents in 1944-45 to 4.5 cents in 1957-58. For each of the last 5 years it was around 4 cents, with 1956-57 dropping to about 3 3/4 cents a bushel (table 1). The only other year in which as much as 4 cents a bushel was realized was in 1946-47. The average net margin of 4 cents a bushel in the last 5 years





Figure 3

# COMBINED GRAIN VOLUME OF 16 REGIONAL GRAIN COOPERATIVES FOR MARKETING YEARS, 1938-39 TO 1957-58

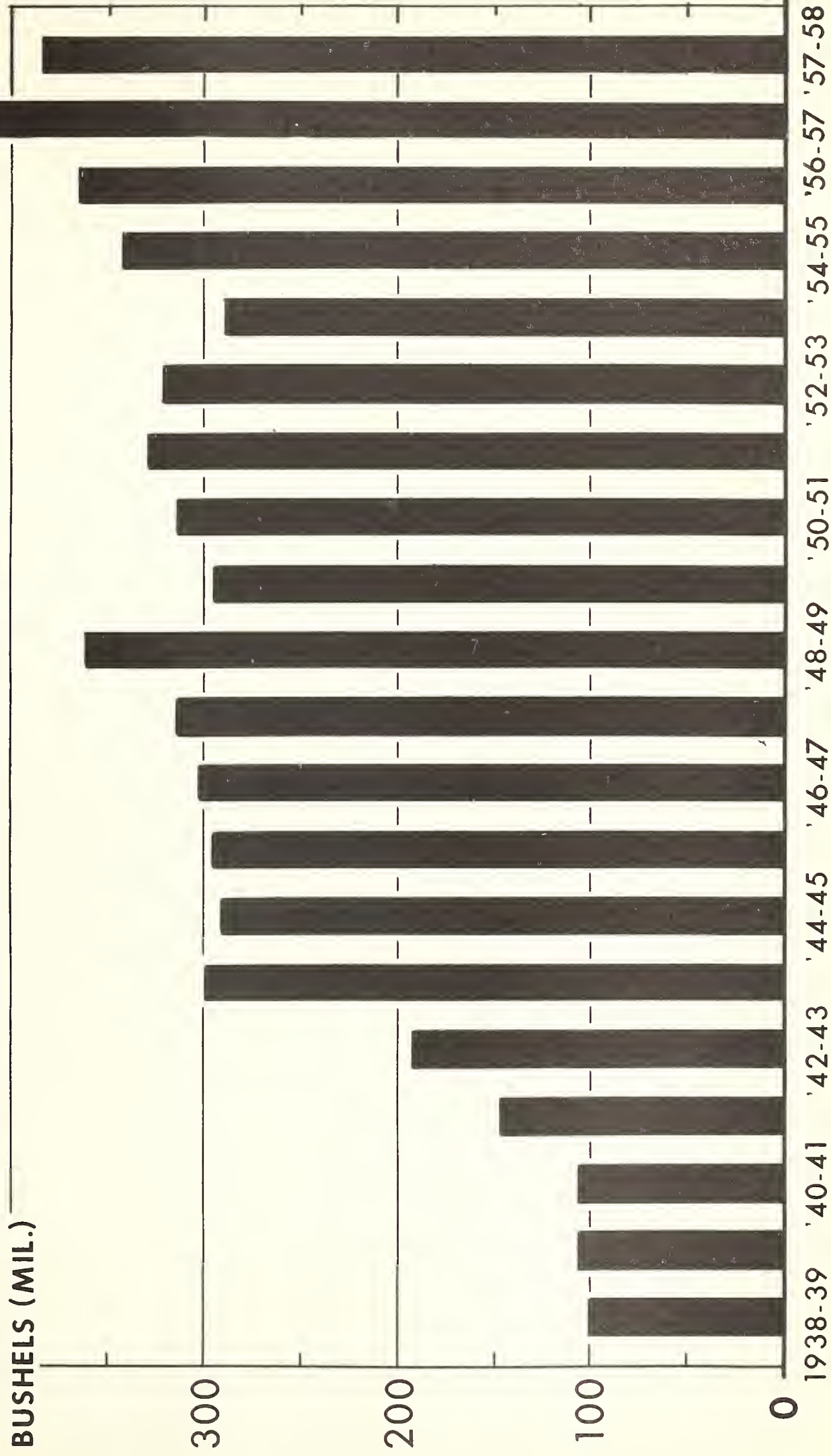
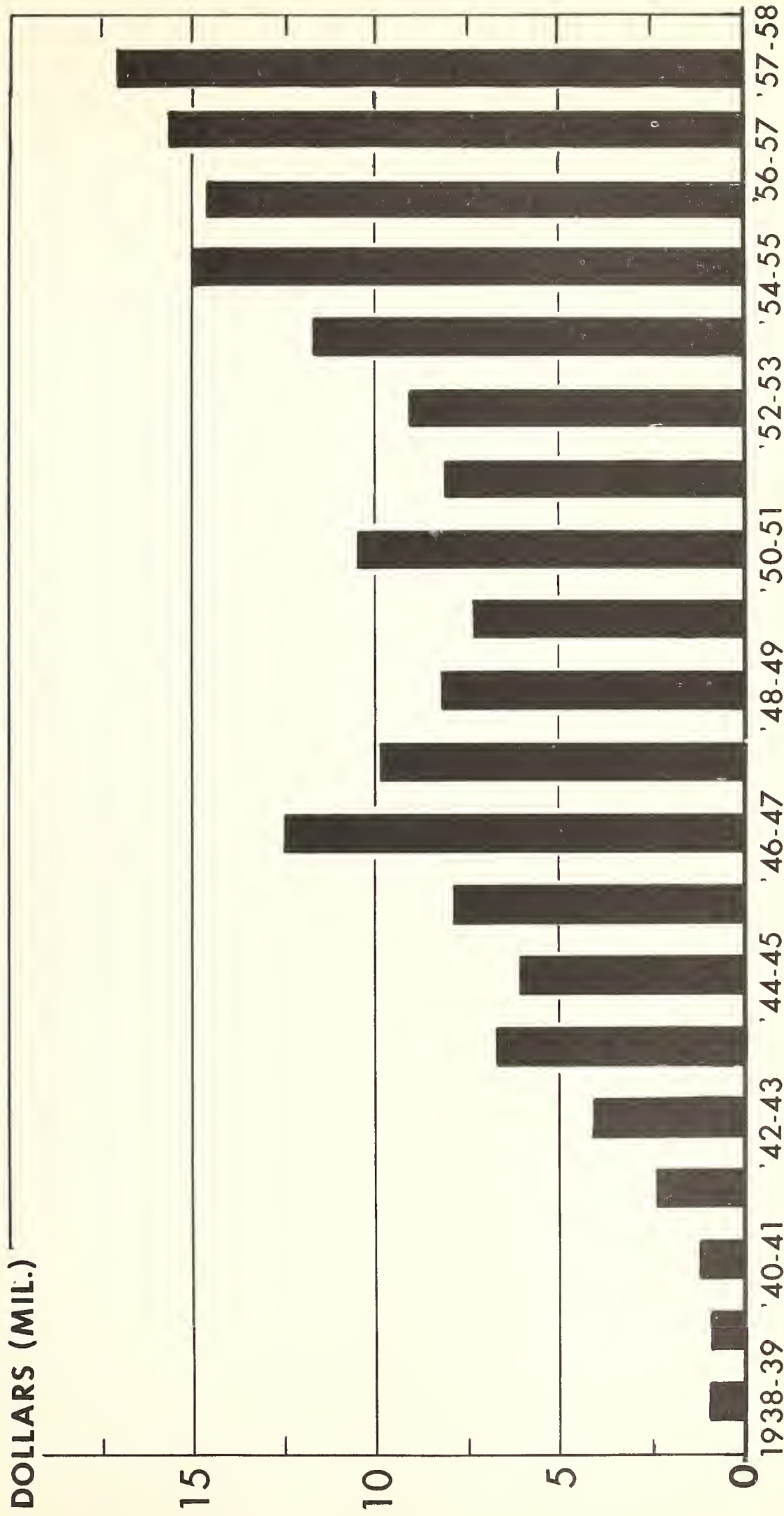




Figure 4

# COMBINED NET MARGINS\* OF 16 REGIONAL GRAIN COOPERATIVES FOR MARKETING YEARS, 1938-39 TO 1957-58



\*NET MARGIN IS DEFINED AS THE TOTAL GROSS INCOME FROM MARKETING, HANDLING, STORAGE, COMMISSIONS AND OTHER INCOME LESS COST OF SALES, OPERATING EXPENSES, AND OTHER EXPENSES.



Table 1.--Total grain handled and combined net margins of 16 regional grain cooperatives, 1938-39, 1956-57, and 1957-58

Fiscal year	Volume of grain handled	Combined Net margins	Net margins per bushel
	<u>Bushels</u>	<u>Dollars</u>	
	<u>Thousands</u>		
1938-39	100,123	\$ 886	\$ .89
1956-57	417,582	15,586	3.73
1957-58	383,205	17,098	4.46





is about double the gross margin on grain commission sales at terminal markets and indicates a high degree of management efficiency. It can be reasonably assumed that such margins would not have been realized if handling, merchandising, and storage facilities had not been available. Total net margins for the 20-year period were more than \$169 million with almost half the amount realized in the last 6 years. The average margin per bushel for the 20 years was 3.03 cents.

Although large amounts of capital were used in the last 6 or 8 years for expanding facilities, member equities in grain regionals continued to rise. Figure 5 shows the financial position of the 16 regionals over the 20 years from 1938-39 to 1957-58. In this period member equities went from \$3.2 million to \$106.5 million and showed an increase every year. At the close of 1957-58, they topped the preceding year by \$17.2 million (table 2). Equities have increased more than \$43 million in the last 5 years and currently are equal to 73 percent of the total asset value.

The composition of these member equities had changed considerably in recent years. Most of the increase in the past 5 years has been in the surplus and reserves while the certificated capital has changed less. At the end of 1954, surplus and reserves amounted to \$9.5 million or 14 percent of total member equities. At the end of 1958, they had grown to nearly \$42 million and were 39 percent of the equities. In several of the organizations the surplus and reserves exceed the certificated capital.

Consolidated balance sheets of the 16 grain cooperatives for 1938-39 and the last 2 years under consideration are shown in table 2. Last year, current assets increased by \$3.2 million to \$72 million, while current liabilities declined about \$3 million. In 1957-58, the ratio of current assets to current liabilities was 2.74 to 1.



Figure 5

# **COMBINED LIABILITIES AND MEMBER EQUITIES OF 16 REGIONAL GRAIN COOPERATIVES FOR MARKETING YEARS, 1938-39 TO 1957-58**

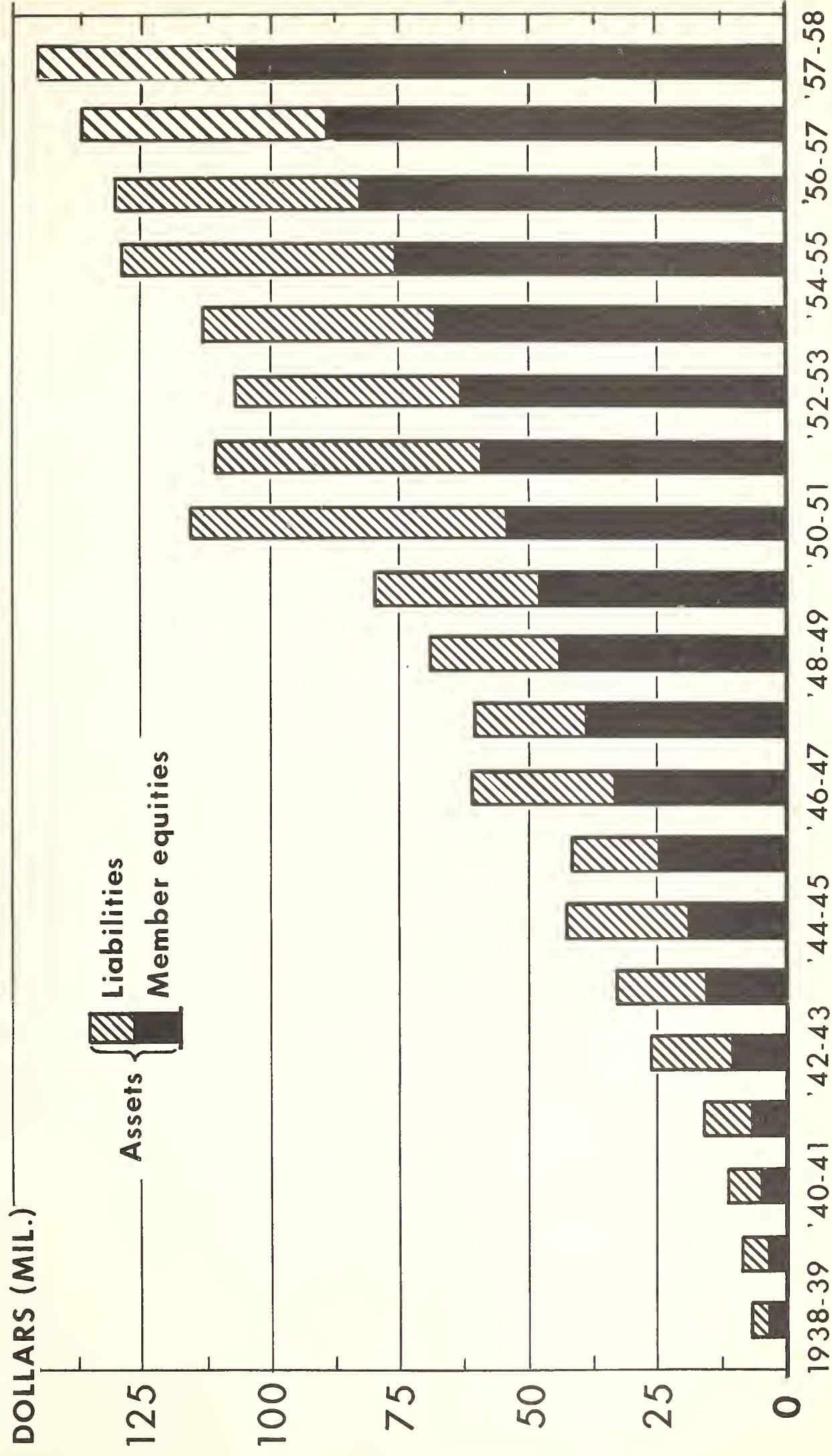




Table 2.--Consolidated balance sheets of 16 regional grain cooperatives at the close of marketing years 1938-39, 1956-57 and 1957-58 1/

Item	1938-39	1956-57	1957-58
<u>Thousands</u>			
<u>Assets</u>			
Current assets:			
Cash.....	\$ 1,160	\$ 8,962	\$ 9,954
Inventory.....	1,117	20,311	24,885
Other current assets.....	2,970	39,486	37,141
Total current assets.....	5,247	68,759	71,980
Fixed assets (less deprec. reserve).....	930	60,461	66,658
Other assets.....	466	7,506	7,255
Total assets.....	6,643	136,726	145,893
<u>Liabilities and member equities</u>			
Liabilities:			
Current <u>2/</u> .....	2,443	29,228	26,306
Deferred.....	1,003	18,242	13,124
Total liabilities.....	3,446	47,470	39,430
Member equities:			
Membership capital.....	1,555	57,668	64,522
Surplus and reserve.....	1,642	31,588	41,941
Total member equities.....	3,197	89,256	106,463
Total liabilities and member equities	6,643	136,726	145,893

1/ Closing dates of fiscal years of individual associations vary within the crop year from December 31 to August 31.

2/ Includes some patronage and stock dividends soon to be paid to members.





Annual working capital has shown a steady increase from the beginning, and amounted to \$45.7 million in 1957-58. This may be compared with the \$2.8 million working capital in 1938-39.

Long-term or deferred liabilities fluctuated considerably over the years but were higher in the last few years under consideration due to the construction program. They reached \$23.5 million in 1953-54, increased to \$27.6 million in 1954-55, but have declined since then by \$14.5 million to \$13.1 million in 1957-58 despite increased construction.

The net value of fixed assets showed a steady increase from 1938-39 through 1954-55, when they reached \$61.5 million. Due to the accelerated depreciation program in effect at some of the regionals, the net value of fixed assets declined by \$2.3 million in 1955-56 to a total of \$59.2 million, but increased to \$66.7 million in 1957-58. This was 3.5 times the value 10 years earlier and more than 70 times the value at the end of 1939. Compare this \$66.7 million in fixed assets to the long-term debt of \$13.1 million.

Even though the regional grain cooperatives are in sound financial condition and operate efficiently, they still face important problems.

They are confronted with day-to-day price and crop conditions which affect their operations. Transportation is vitally important. Government programs and policies and technological changes in farming itself change and affect volume and operations. Costs have been increasing and do not decline in proportion to volume decreases, which increases unit operating costs.

Quality maintenance and quality improvement, often involving additional equipment, have become increasingly important problems as storage facilities have been constructed or modernized. Management of these regionals have demonstrated their ability to deal with problems as they arose in these 20 years. The experience gained should enable them to anticipate and meet future problems and provide the services required by their members.







